
Financial Statements of

NATIONAL FLOUR MILLS LIMITED

December 31, 2012

NATIONAL FLOUR MILLS LIMITED

Financial Statements

December 31, 2012

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Independent Auditors' Report
To the Shareholders of National Flour Mills Limited

Report on the Financial Statements

We have audited the accompanying financial statements of National Flour Mills Limited ("the Company"), which comprise the statement of financial position as at December 31, 2012, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2012, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG

Chartered Accountants

March 28, 2013
Port of Spain
Trinidad and Tobago

NATIONAL FLOUR MILLS LIMITED

Statement of Financial Position

December 31, 2012

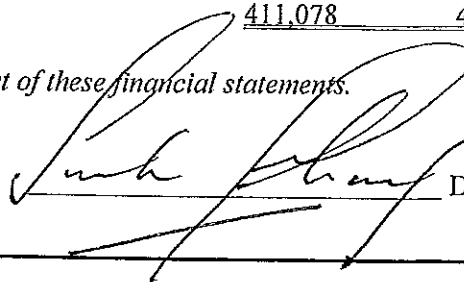
(Expressed in Trinidad and Tobago Dollars)

	Notes	2012	2011
		\$'000	\$'000
ASSETS			
Current Assets			
Cash and cash equivalents	6	35,047	12,162
Accounts receivable and prepayments	7	86,994	97,242
Inventories	8	77,243	69,146
		<u>199,284</u>	<u>178,550</u>
Non-Current Assets			
Investments		15	15
Retirement benefit asset	9	59,884	60,611
Property, plant and equipment	10	147,666	155,949
Trademarks	11	4,229	5,462
		<u>211,794</u>	<u>222,037</u>
Total assets		<u>411,078</u>	<u>400,587</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Bank overdraft	6	57,086	59,731
Accounts payable and accruals		36,405	39,091
Loans and borrowings	12	79,744	73,845
Current portion of finance lease liability	20	729	728
		<u>173,964</u>	<u>173,395</u>
Non-Current Liabilities			
Loans and borrowings	12	7,663	12,771
Non-current portion of finance lease liability	20	546	1,275
Deferred taxation	14	20,834	16,380
		<u>29,043</u>	<u>30,426</u>
Total liabilities		<u>203,007</u>	<u>203,821</u>
Shareholders' Equity			
Stated capital	15	120,200	120,200
Capital reserve		23,035	23,035
Retained earnings		64,836	53,531
		<u>208,071</u>	<u>196,766</u>
Total liabilities and shareholders' equity		<u>411,078</u>	<u>400,587</u>

The accompanying notes on pages 7 to 31 form an integral part of these financial statements.



Director



Director

NATIONAL FLOUR MILLS LIMITED

Statement of Comprehensive Income

Year ended December 31, 2012

(Expressed in Trinidad and Tobago Dollars)

	Notes	2012 \$'000	2011 \$'000
Revenue		446,263	440,945
Cost of sales		(356,851)	(375,330)
Gross profit		89,412	65,615
Selling and distribution expenses		(41,425)	(34,971)
Administration expenses		(24,041)	(24,305)
Other operating income		8,622	10,630
Operating profit		32,568	16,969
Finance cost		(13,425)	(12,921)
Profit before taxation	16	19,143	4,048
Taxation	17	(5,795)	(3,409)
Profit for the year		<u>13,348</u>	<u>639</u>
Earnings per share	18	<u>11¢</u>	<u><1¢</u>

The accompanying notes on pages 7 to 31 form an integral part of these financial statements.

NATIONAL FLOUR MILLS LIMITED

Statement of Changes in Shareholders' Equity

Year ended December 31, 2012

(Expressed in Trinidad and Tobago Dollars)

	<u>Stated</u> <u>Capital</u> <u>\$'000</u>	<u>Capital</u> <u>Reserve</u> <u>\$'000</u>	<u>Retained</u> <u>Earnings</u> <u>\$'000</u>	<u>Total</u> <u>\$'000</u>
Balance as at December 31, 2010	120,200	23,035	56,859	200,094
Dividends paid	-	-	(3,967)	(3,967)
Net profit for the year	-	-	639	639
Balance as at December 31, 2011	120,200	23,035	53,531	196,766
Dividends paid	-	-	(2,043)	(2,043)
Net profit for the year	-	-	13,348	13,348
Balance as at December 31, 2012	<u>120,200</u>	<u>24,330</u>	<u>64,836</u>	<u>208,071</u>

The accompanying notes on pages 7 to 31 form an integral part of these financial statements.

NATIONAL FLOUR MILLS LIMITED

Statement of Cash Flows

Year ended December 31, 2012

(Expressed in Trinidad and Tobago Dollars)

	2012	2011
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	19,143	4,048
Adjustments for:		
Depreciation	10,147	11,143
Amortization of trademarks	1,232	1,236
Interest expense	13,425	12,921
	<u>43,947</u>	<u>29,348</u>
Changes in working capital:		
Accounts receivable and prepayments	10,247	5,889
Retirement benefit	727	1,345
Inventories	(8,097)	11,118
Accounts payable and accruals	(4,188)	2,479
	<u>42,636</u>	<u>50,179</u>
Interest paid	(11,923)	(12,372)
Taxes paid	(1,340)	(1,311)
	<u>(12,263)</u>	<u>(13,683)</u>
Net cash generated from operating activities	<u>29,373</u>	<u>36,496</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,864)	(1,550)
Net cash used in investing activities	<u>(1,864)</u>	<u>(1,550)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of loans and borrowings	(5,110)	(20,387)
Finance lease liability payments	(728)	(728)
Dividends paid	(2,043)	(3,967)
Net cash used in financing activities	<u>(7,881)</u>	<u>(25,082)</u>
Net change in cash and cash equivalents	19,629	9,864
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>(116,304)</u>	<u>(126,168)</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR (Note 6)	<u>(96,675)</u>	<u>(116,304)</u>

The accompanying notes on pages 7 to 31 form an integral part of these financial statements.

NATIONAL FLOUR MILLS LIMITED

Notes to the Financial Statements

December 31, 2012

(Expressed in Trinidad and Tobago Dollars)

1. Incorporation and Principal Activities

~~National Flour Mills Limited ("the Company") is incorporated in the Republic of Trinidad and Tobago, and was continued under the provisions of the Companies Act, 1995 on April 14, 1998. Its principal activities are the production and distribution of food products and animal and poultry feeds.~~

2. Basis of Preparation

(a) *Statement of Compliance*

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and were authorised for issue by the Directors on March 28, 2013.

(b) *Basis of measurement*

The financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- buildings – measured at historical cost or valuation less related accumulated depreciation
- retirement benefit asset – recognised as the net total of the plan assets, plus unrecognised past service cost and unrecognised actuarial losses, less unrecognised actuarial gains and the present value of the defined benefit obligation.

(c) *Functional and presentation currency*

These financial statements are presented in Trinidad and Tobago dollars, which is the Company's functional currency. All financial information presented in Trinidad and Tobago dollars has been rounded to the nearest thousand.

(d) *Use of estimates and judgments*

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates and requires management to exercise its judgment in the process of applying the Company's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenditure during the reporting period. Actual results may differ from these estimates.

NATIONAL FLOUR MILLS LIMITED

Notes to the Financial Statements

December 31, 2012

(Expressed in Trinidad and Tobago Dollars)

2. Basis of Preparation (continued)

(d) Use of estimates and judgments (continued)

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies are described in Note 5.

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

a) Property, plant and equipment

Items of property, plant and equipment are stated at historical cost or valuation less accumulated depreciation. Depreciation is calculated on the straight-line basis at varying rates, which are estimated to be sufficient to write down the cost of the assets to residual value by the expiration of their useful lives.

The rates used are as follows:

	% per annum
Buildings	1.0 – 2.5
Plant and machinery	2.0 – 10.0
Forklifts, trucks and loaders	25.0
Office equipment and air conditioning	10.0
Computer equipment	20.0
Motor vehicles	25.0

The assets' residual values and useful lives are reviewed at each reporting date, and adjusted as appropriate. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

NATIONAL FLOUR MILLS LIMITED

Notes to the Financial Statements

December 31, 2012

(Expressed in Trinidad and Tobago Dollars)

3. Summary of Significant Accounting Policies (continued)

~~a) Property, plant and equipment (continued)~~

Increases in the carrying amount arising on revaluation of land and buildings are credited to capital revaluation reserve in equity. Decreases that offset previous increases of the same asset are recognised in other comprehensive income to the extent of any credit balance existing in the capital revaluation reserve; all other decreases are recognised in profit or loss. When re-valued assets are sold, the amounts included in reserves are transferred to retained earnings.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are included in profit or loss in the statement of comprehensive income.

b) Leases

Leases of property, plant and equipment under which the Company assumes substantially all the risk and rewards of ownership are classified as finance leases. Assets held under finance leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments, at the date of inception of the lease. The corresponding leasing commitments, net of finance charges, are included in liabilities. The interest element of the lease payments is charged to profit or loss over the lease period.

Depreciation on assets held under finance leases is charged to profit or loss over the shorter of the lease term and their estimated useful lives.

Leases in which a significant proportion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rentals paid under operating leases are charged to appropriate expense headings in the statement of comprehensive income on a straight line basis over the period of the lease.

c) Trademarks

Trademarks are stated at cost less accumulated amortisation. Amortisation is recognised on a straight-line basis over the estimated useful life of the trademarks, which range from 10 - 14 years.

NATIONAL FLOUR MILLS LIMITED

Notes to the Financial Statements

December 31, 2012

(Expressed in Trinidad and Tobago Dollars)

3. Summary of Significant Accounting Policies (continued)

d) Financial Instruments

Financial instruments are contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets

The Company's financial assets comprise of cash and cash equivalents, trade and other receivables and available-for-sale investments.

The Company recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the contractual rights to receive the cash flows from the asset expire, or where substantially all the risks and rewards of ownership of the financial asset have been transferred.

Trade and other receivables

Trade receivables are measured at cost. Subsequent to initial recognition such receivables are measured at estimated recoverable amount. An allowance for irrecoverable amounts is made, and charged to the statement of comprehensive income, whenever there is objective evidence that a receivable is impaired.

Available-for-sale investments

These investments are intended to be held for an indefinite period of time but may be sold in response to the needs for liquidity or changes in interest rates, exchange rates or equity prices. These are unquoted securities that are measured at cost.

NATIONAL FLOUR MILLS LIMITED

Notes to the Financial Statements

December 31, 2012

(Expressed in Trinidad and Tobago Dollars)

3. Summary of Significant Accounting Policies (continued)

d) Financial instruments (continued)

Financial liabilities

The Company's financial liabilities comprise loans and borrowings, bank overdrafts and trade and other payables.

When financial liabilities are recognised initially, they are measured at fair value plus directly attributable transaction costs. Financial liabilities are subsequently re-measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when they are extinguished that is when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability extinguished and the consideration paid is recognised in the statement of comprehensive income.

Bank loans

Bank loans are recognised initially at fair value, net of transaction costs incurred. Bank loans are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the loan using the effective interest method.

Share capital

Ordinary shares are classified as equity and stated at the amounts subscribed by shareholders, less any incremental costs directly attributable to the issue of the shares (net of tax).

e) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and short-term commodity import loans, which form an integral part of the Company's cash management, are included as a component of cash and cash equivalents for the purposes of the statement of cash flows.

NATIONAL FLOUR MILLS LIMITED

Notes to the Financial Statements

December 31, 2012

(Expressed in Trinidad and Tobago Dollars)

3. Summary of Significant Accounting Policies (continued)

f) Inventories

Inventories are measured at the lower of first in first out value and net realisable value. Cost includes expenditure incurred in acquiring the inventories, production costs and other costs incurred in bringing them to their present location and condition. Included in the cost of finished goods is an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

g) Taxation

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the statement of comprehensive income except to the extent that the tax relates to items recognised directly in equity or in other comprehensive income.

Current tax

Current income tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, plus any adjustments to tax payable in respect of previous years.

Deferred tax

Deferred income tax is provided, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences, and the carry-forward of unused tax losses, to the extent that it is probable that taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

NATIONAL FLOUR MILLS LIMITED

Notes to the Financial Statements

December 31, 2012

(Expressed in Trinidad and Tobago Dollars)

3. Summary of Significant Accounting Policies (continued)

~~h) Retirement benefit plan~~

The Company operates a defined benefit pension plan covering its permanent employees. The funds of the Plan are administered by Trustees. The cost of providing benefits is determined by using the projected unit credit method. Actuarial gains and losses that exceed 10% of the greater of the defined benefit obligation and the fair value of the plan assets are amortised over the expected average remaining working lives of the employees. Independent actuaries perform valuations every year and any surpluses or deficits may be recognised by an adjustment of future contribution rates.

i) Foreign currency

Monetary assets and liabilities denominated in foreign currencies are expressed in Trinidad and Tobago dollars at rates of exchange ruling at the reporting date. All revenue and expenditure transactions denominated in foreign currencies are translated at the exchange rates ruling at the date of the transactions. The resulting profits and losses on exchange from these trading activities are recorded in profit or loss.

j) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be estimated reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

k) Revenue recognition

Revenue from the sale of goods is measured at sale price, net of returns, trade discounts and volume rebates. Revenue is recognised upon delivery of goods to customers.

NATIONAL FLOUR MILLS LIMITED

Notes to the Financial Statements

December 31, 2012

(Expressed in Trinidad and Tobago Dollars)

3. Summary of Significant Accounting Policies (continued)

l) Earnings per share

Earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

m) Segment reporting

Segment reporting is prepared based on the different categories of products sold by the Company.

n) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the period ended December 31, 2012, and have not been applied in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Company except for the following:

IAS 1 Presentation of Financial Statements (amendment) – The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss and the title of statement of comprehensive income is changed to the statement of profit or loss and other comprehensive income. However the entity is still allowed to use other titles. This amendment is effective July 1, 2012.

IFRS 9 Financial Instruments (2010) - The revised IFRS supersedes the previous version of IFRS 9 issued in 2009 and is effective for accounting periods beginning on or after January 1, 2015. The revised standard now includes guidance on classification and measurement of financial liabilities designated as fair value through profit or loss and incorporates certain existing requirements of IAS 39 Financial Instruments: Recognition and Measurement on the recognition and de-recognition of financial assets and financial liabilities. The Company is assessing the impact that the standard may have on the 2015 financial statements.

IFRS 13 Fair Value Measurement – The standard replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value and sets out disclosure requirements for fair value measurements. It does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. This standard is effective January 1, 2013.

NATIONAL FLOUR MILLS LIMITED

Notes to the Financial Statements

December 31, 2012

(Expressed in Trinidad and Tobago Dollars)

3. Summary of Significant Accounting Policies (continued)

~~n) New standards and interpretations not yet adopted (continued)~~

IAS 19 Employee Benefits (amended 2011) – effective for accounting periods beginning on or after January 1, 2013. Under the amended standard, companies will no longer be able to defer the recognition of actuarial gains and losses. Hence, the unrecognised actuarial loss for the Plan would be brought onto the statement of financial position in the Company's financial statements for the year ended December 31, 2013. On first adoption of the new accounting policy to recognise actuarial gains and losses in full, the comparable statement of financial position as at December 31 and January 1, 2012, will be restated. The impact of this restatement will be to reduce the Company's retirement benefit asset and retained earnings as at January 1, 2012 by \$44.5 million. In addition, under the amended IAS 19, the Company will no longer be able to allow for an expected rate of return from the Pension Plan's assets in excess of the discount rate applied to future benefit payments in the calculation of the net pension cost. The above changes are not expected to have a material impact on the net pension cost charged to profit for the years 2012 and 2013; but will give rise to charges/credits to "other comprehensive income" in those years in relation to movements on total actuarial gains or losses.

4. Financial Risk Management

Financial risk factors

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- currency risk
- interest rate risk.

This note presents information about the Company's exposure to each of the above risks, and its framework for managing these risks. Further quantitative disclosures are included in relevant notes throughout these financial statements.

The Board of Directors has ultimate responsibility for the establishment and oversight of the Company's risk management framework. The Audit Committee oversees compliance with the Company's risk management framework and is assisted in its oversight role by the Internal Audit Department.

NATIONAL FLOUR MILLS LIMITED

Notes to the Financial Statements

December 31, 2012

(Expressed in Trinidad and Tobago Dollars)

4. Financial Risk Management (continued)

~~Financial risk factors (continued)~~

The Company's main financial risks relate to the availability of funds to meet business needs, the risk of delayed or non-payment by the Company's customers, and fluctuations in foreign exchange and interest rates. The risk management policies employed by the Company to manage these risks are discussed below:

a) Credit risk

The Company is exposed to credit risk, which is the potential for loss due to a debtor's failure to pay amounts when due. The Company manages this by regular analysis of the ability of debtor to settle their outstanding balances. Impairment provisions are established for losses or potential losses that have been incurred at the reporting date.

The Company only trades with credit worthy third parties who are subject to credit verification procedures, which takes into account their financial position and past experience. Individual risk limits are set based on internal ratings.

Credit risk on cash and cash equivalents held by the Company are minimised as all cash deposits are held with banks which have acceptable credit ratings.

b) Liquidity risk

Liquidity risk is the risk that the Company will face difficulty in meeting its obligations under financial liabilities as they fall due.

The Company manages its liquidity risk by monitoring its projected inflows and outflows from operations. Where possible the Company utilises surplus internal funds to finance its operations. The Company also utilises available credit facilities such as loans and overdrafts.

c) Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's measurement currency. The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States Dollar. The Company's management monitors the exchange rate fluctuations on a continuous basis and employs appropriate strategies to mitigate any potential losses.

NATIONAL FLOUR MILLS LIMITED

Notes to the Financial Statements

December 31, 2012

(Expressed in Trinidad and Tobago Dollars)

4. Financial Risk Management (continued)

~~Financial risk factors (continued)~~

d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

With the exception of bank overdrafts, the Company has no significant variable rate interest bearing assets or liabilities. As a consequence, the Company's income and operating cash flows are substantially independent of changes in market interest rates.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

Compliance risk

Compliance risk is the risk of financial loss, including fines and other penalties, which arise from non-compliance with laws and regulations of the state. The risk is limited to a significant extent due to the supervision applied by the Securities and Exchange Commission of Trinidad and Tobago, as well as by the monitoring controls applied by the Company. The Company has an Internal Audit Department which performs routine reviews on compliance.

Reputation risk

The risk of loss of reputation arising from the negative publicity relating to the Company's operations (whether true or false) may result in a reduction of its clientele, reduction in revenue and legal cases against the Company. The Company engages in public social endeavours to engender trust and minimise this risk.

NATIONAL FLOUR MILLS LIMITED

Notes to the Financial Statements

December 31, 2012

(Expressed in Trinidad and Tobago Dollars)

5. Critical Accounting Estimates and Judgments

~~The critical accounting judgments and estimations, which have the most significant effect on the amounts recognised in the financial statements, are as follows:~~

Retirement benefit obligations

The Company has determined that, in accordance with the terms and conditions of the defined benefit plan, and in accordance with statutory requirements (such as minimum funding requirements) of the plan, the present value of refunds or reductions in future contributions is not lower than the balance of the total fair value of the plan assets less the total present value of obligations. As such, no decrease in the defined benefit asset is necessary at December 31, 2012.

Impairment of trade receivables

The Company establishes an allowance for impairment that represents its estimate of projected losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures. The loss allowance is determined based on current data of payment statistics for specific circumstances relating to specific transactions.

Impairment of tangible and intangible assets and useful lives

At each reporting date, management assesses whether tangible and intangible assets are impaired. An asset is impaired when the carrying value is greater than its recoverable amount and there is objective evidence of impairment. Recoverable amount is determined based on the value-in-use method, which is the present value of the estimated future cash flows over the estimated useful life of the asset discounted using market rates.

Management exercises judgement in determining whether future economic benefits can be derived from expenditures to be capitalised and in estimating the useful lives and residual values of these assets.

Deferred tax

The Company assesses the impact of estimated tax losses, which is subject to final approval by the Board of Inland Revenue, on deferred tax liability. Any final assessment done by the Board will be incorporated in the year that this assessment is completed and agreed by the Company.

NATIONAL FLOUR MILLS LIMITED

Notes to the Financial Statements

December 31, 2012

(Expressed in Trinidad and Tobago Dollars)

	2012 \$'000	2011 \$'000
6. Cash and Cash Equivalents		
Cash in hand and at bank	34,000	11,119
Short-term deposits	<u>1,047</u>	<u>1,043</u>
Cash and cash equivalents in the statement of financial position	<u>35,047</u>	<u>12,162</u>
<i>Short-term cash management facilities:</i>		
Bank overdrafts	(57,086)	(59,731)
Revolving grain purchase loans	<u>(74,636)</u>	<u>(68,735)</u>
	<u>(131,722)</u>	<u>(128,466)</u>
Cash and cash equivalents in the statement of cash flows	<u>(96,675)</u>	<u>(116,304)</u>

Bank overdraft facilities are provided by Scotiabank Trinidad and Tobago Limited and Citibank (Trinidad & Tobago) Limited. These facilities are secured by a debenture and collateral mortgage, stamped to cover TT\$90 million each, comprising of a fixed charge over goodwill, land and buildings located at Wrightson road, Port-of-Spain and a floating charge over all other assets of the Company. This security ranks *pari passu* with the security for the loans from First Citizens Bank Limited (see Note 12). An assignment of industrial all risks insurance with coverage of US\$57.7 million has also been executed in favour of the banks.

Revolving grain purchase loans have been provided by the following to finance the importation of grain:

	2012 US\$'000	2011 US\$'000
Export Import Bank of Trinidad & Tobago (Eximbank) Ltd	2,676	8,688
Gavilon LLC	2,986	2,051
Citibank (Trinidad and Tobago) Limited	<u>6,000</u>	<u>-</u>
	<u>11,662</u>	<u>10,739</u>
	\$'000	\$'000
TTD equivalent	<u>74,636</u>	<u>68,735</u>

NATIONAL FLOUR MILLS LIMITED

Notes to the Financial Statements

December 31, 2012

(Expressed in Trinidad and Tobago Dollars)

	2012 \$'000	2011 \$'000
7. Accounts Receivable and Prepayments		
Trade receivables	65,838	59,803
Prepayments	7,137	6,822
Sundry receivables	14,019	30,617
	<u>86,944</u>	<u>97,242</u>

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The credit risk exposure for trade receivables at the reporting date by type of counterparty was:

	2012 \$'000	2011 \$'000
Wholesalers	16,041	15,096
Industrial	13,154	10,217
Export	4,520	3,140
Feed	11,819	12,049
Retailers	18,150	17,399
Other	2,153	1,902
	<u>65,838</u>	<u>59,803</u>

The aging analysis of trade receivables at the reporting date was:

	Gross 2012 \$'000	Impairment 2012 \$'000	Gross 2011 \$'000	Impairment 2011 \$'000
Not past due	34,408	-	31,305	-
Past due:				
1-2 months	16,711	-	7,449	-
2-3 months	5,276	-	3,173	-
3-6 months	3,554	-	1,960	-
over 6 months	26,241	20,352	30,836	14,920
	<u>86,190</u>	<u>20,352</u>	<u>74,723</u>	<u>14,920</u>

NATIONAL FLOUR MILLS LIMITED

Notes to the Financial Statements

December 31, 2012

(Expressed in Trinidad and Tobago Dollars)

7. Accounts Receivable and Prepayments (continued)

~~The movement in the impairment allowance during the year was as follows:~~

	2012 \$'000	2011 \$'000
Balance at January 1	14,920	9,092
Allowance charged to profit for the year	<u>5,182</u>	<u>5,828</u>
Balance at December 31	<u>20,102</u>	<u>14,920</u>
8. Inventories		
Raw materials	55,505	49,546
Packaging materials	3,676	2,517
Finished products	8,268	9,842
Maintenance spares	<u>9,794</u>	<u>7,241</u>
	<u>77,243</u>	<u>69,146</u>
9. Retirement Benefit Asset		
Present value of defined benefit obligation	139,207	121,533
Fair value of Plan assets	<u>(150,545)</u>	<u>(137,620)</u>
	(11,338)	(16,087)
Unrecognised actuarial losses	<u>(48,546)</u>	<u>(44,524)</u>
	(59,884)	(60,611)
Recognised asset for defined benefit obligation	<u>(59,884)</u>	<u>(60,611)</u>
<i>a) Change in defined benefit obligations</i>		
Defined benefit obligation at start of year	121,533	120,183
Benefits paid	(5,660)	(4,405)
Current service costs and interest	11,305	11,549
Members' contributions	1,344	1,391
Actuarial loss (gain)	11,012	(7,027)
Expense allowance	<u>(327)</u>	<u>(158)</u>
Defined benefit obligation at end of year	<u>139,207</u>	<u>121,533</u>

NATIONAL FLOUR MILLS LIMITED

Notes to the Financial Statements

December 31, 2012

(Expressed in Trinidad and Tobago Dollars)

	2012 \$'000	2011 \$'000
9 Retirement Benefit Asset (continued)		
<i>b) Change in plan assets</i>		
Plan assets at start of year	137,620	125,646
Company contributions	3,843	4,395
Members' contributions	1,344	1,391
Benefits paid	(5,660)	(4,405)
Expected return on Plan assets	8,786	8,738
Actuarial gain	4,939	2,013
Expense allowance	(327)	(158)
Plan assets at end of year	<u>150,545</u>	<u>137,620</u>
<i>c) Expense recognised in profit or loss</i>		
Current service costs	4,774	4,173
Interest on defined benefit obligation	6,531	7,376
Expected return on Plan assets	(8,786)	(8,738)
Recognised actuarial loss	2,051	2,929
Net pension cost	<u>4,570</u>	<u>5,740</u>
<i>d) Reconciliation of opening and closing statement of financial position entries</i>		
Net pension cost	4,570	5,740
Company contributions paid	(3,843)	(4,395)
Opening defined benefit liability (recognised asset)	727 <u>(60,611)</u>	1,345 <u>(61,956)</u>
Closing defined benefit liability (recognised asset)	<u>(59,884)</u>	<u>(60,611)</u>
<i>e) Actual return on Plan assets</i>		
Expected return on Plan assets	8,786	8,738
Actuarial gain on Plan assets	4,939	2,013
Actual return on Plan assets	<u>13,725</u>	<u>10,751</u>

NATIONAL FLOUR MILLS LIMITED

Notes to the Financial Statements

December 31, 2012

(Expressed in Trinidad and Tobago Dollars)

9. Retirement Benefit Asset (continued)

f) Experience history

	2012	2011	2010	2009	2008
Define benefit obligation	139,207	121,533	120,183	99,466	102,220
Fair value of Plan assets	(150,545)	(137,620)	(125,646)	(112,251)	(98,126)
Surplus	(11,338)	(16,087)	(5,463)	(12,785)	4,094
Experience adjustment of Plan liabilities	(797)	(1,573)	(2,079)	(8,082)	(897)
Experience adjustment of Plan assets	4,939	2,013	1,283	5,536	19,450

g) The Company expects to contribute \$4.329 million to its defined benefit pension plan in 2012.

h) Summary of principal assumptions

	2012	2011
Discount rate at December 31	5.00%	5.50%
Salary increases	4.75%	4.75%
Pension increases	0.00%	0.00%
Expected return on Plan assets at January 1		
- segregated assets	N/A	6.50%
- insured annuities	N/A	5.50%

Expected rate of return on assets set by reference to estimated long-term returns on the Plan's strategic asset allocation. Allowance is made for some excess performance from the Plan's equity portfolio.

i) Asset allocation as at December 31

	2012	2011
Equity securities	25.50%	25.60%
Debt securities	50.20%	47.50%
Other - insured annuities	8.30%	10.20%
Other - cash and short-term securities	10.00%	16.70%
Total	100.00%	100.00%

The Plan does not directly hold any assets of the Company.

NATIONAL FLOUR MILLS LIMITED

Notes to the Financial Statements

December 31, 2012

(Expressed in Trinidad and Tobago Dollars)

10. Property, Plant and Equipment

	Industrial and Office Buildings	Plant Machinery Equipment	Office Furniture, Equipment and Motor Vehicles	Total
	\$'000	\$'000	\$'000	\$'000
<i>Year ended December 31, 2012</i>				
Cost/Valuation				
At January 1, 2012	159,678	326,440	28,071	514,189
Additions	549	444	871	1,864
At December 31, 2012	160,227	326,884	28,942	516,053
Accumulated depreciation				
At January 1, 2012	47,379	285,006	25,856	358,241
Charge for the year	1,090	7,518	1,538	10,146
At December 31, 2012	48,469	292,524	27,394	368,387
<i>Year ended December 31, 2011</i>				
Cost/Valuation				
At January 1, 2011	159,678	325,815	27,146	512,639
Additions	-	625	925	1,550
At December 31, 2011	159,678	326,440	28,071	514,189
Accumulated depreciation				
At January 1, 2011	45,509	276,977	24,612	347,098
Charge for the year	1,870	8,029	1,244	11,143
At December 31, 2011	47,379	285,006	25,856	358,241
Net book value				
At December 31, 2012	111,759	34,359	1,548	147,666
At December 31, 2011	112,299	41,434	2,215	155,949

The property, plant and equipment are subject to a registered debenture to secure bank borrowings (see Note 12).

NATIONAL FLOUR MILLS LIMITED

Notes to the Financial Statements

December 31, 2012

(Expressed in Trinidad and Tobago Dollars)

10. Property, Plant and Equipment (continued)

~~If buildings and plant and machinery were stated at historical cost, the carrying amounts would be as follows:~~

		2012	2011	
		\$'000	\$'000	
Industrial and office buildings		106,659	106,802	
Plant and machinery		<u>34,361</u>	<u>41,433</u>	
		<u>141,020</u>	<u>148,235</u>	
11. Trademarks				
Cost				
End of year		<u>17,312</u>	<u>17,312</u>	
Accumulated amortisation				
Beginning of year		11,851	10,614	
Charge for the year		<u>1,232</u>	<u>1,236</u>	
End of year		<u>13,083</u>	<u>11,850</u>	
Net book value		<u>4,229</u>	<u>5,462</u>	
12. Loans and Borrowings				
	Interest Rate	Maturity Date	2012 \$'000	2011 \$'000
<i>First Citizens Bank Limited</i>				
Tranche B	6.18%	January 2015	12,771	17,881
Other secured advances (see Note 6)			<u>74,636</u>	<u>68,735</u>
Total loans and borrowings			87,407	86,616
Less current portion			<u>(79,744)</u>	<u>(73,845)</u>
Non-current portion			<u>7,663</u>	<u>12,771</u>

NATIONAL FLOUR MILLS LIMITED

Notes to the Financial Statements

December 31, 2012

(Expressed in Trinidad and Tobago Dollars)

12. Loans and Borrowings (continued)

The First Citizens Bank Limited loan is secured by a debenture and collateral mortgage, stamped to cover \$90 million ranking *pari passu* with the security for the bank overdraft facilities (see Note 6). The tranches are each repayable in semi-annual instalments ending in the months shown above.

13. Maturity of Financial Liabilities

The following are the contractual maturities of financial liabilities, including estimated interest payments:

	Carrying Amount \$'000	Contractual Cash Flows \$'000	6 Months or Less \$'000	6-12 Months \$'000	1-2 Years \$'000	2-5 Years \$'000
December 31, 2012						
Secured bank loans	12,771	13,957	2,952	2,867	8,138	-
Other secured advances	74,636	75,268	75,268	-	-	-
Finance lease liability	1,275	1,405	400	400	605	-
Trade and other payables	36,655	36,655	36,655	-	-	-
Bank overdraft	57,086	57,086	57,086	-	-	-
		<u>184,371</u>	<u>172,361</u>	<u>3,267</u>	<u>8,743</u>	<u>-</u>
December 31, 2011						
Secured bank loans	17,880	20,094	3,111	3,026	11,323	2,634
Other secured advances	68,735	68,800	68,800	-	-	-
Finance lease liability	2,003	2,225	400	400	1,425	-
Trade and other payables	39,091	39,091	39,091	-	-	-
Bank overdraft	59,731	59,731	59,731	-	-	-
		<u>189,941</u>	<u>171,133</u>	<u>3,426</u>	<u>12,748</u>	<u>2,634</u>

NATIONAL FLOUR MILLS LIMITED

Notes to the Financial Statements

December 31, 2012

(Expressed in Trinidad and Tobago Dollars)

	2012	2011
	\$'000	\$'000
14. Deferred Taxation		
Movement in deferred income tax liability:		
Balance at beginning of year	16,380	13,614
Charge to the income statement	<u>4,454</u>	<u>2,766</u>
Balance at end of year	<u>20,834</u>	<u>16,380</u>
Deferred taxation is attributable to the following items:		
Tax losses carried forward	(24,705)	(28,386)
Excess of net book value of property, plant and equipment over tax written-down value	30,631	29,613
General provision for bad debts	(63)	-
Retirement benefit asset	<u>14,971</u>	<u>15,153</u>
	<u>20,834</u>	<u>16,380</u>

15. Stated Capital

Authorised

Unlimited number of ordinary shares of no par value

Issued and fully paid

120,200,000 ordinary shares of no par value

120,200	<u>120,200</u>
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NATIONAL FLOUR MILLS LIMITED

Notes to the Financial Statements

December 31, 2012

(Expressed in Trinidad and Tobago Dollars)

	2012 \$'000	2011 \$'000
16. Profit before Taxation		
Profit before taxation is arrived at after charging:		
Salaries and wages	60,549	54,524
Bank interest and charges	11,743	12,905
Depreciation – current year	10,147	11,143
Amortization of trademarks	1,232	1,236
Operating lease rentals	1,150	1,291
Directors' fees	558	491

The average number of persons employed by the Company during the year was 356 (2011: 352).

	2012 \$'000	2011 \$'000
17. Taxation		
Deferred tax (see Note 14)	4,454	2,766
Business levy	894	213
Green Fund levy	447	430
	<u>5,795</u>	<u>3,409</u>

The Company's effective tax rate of 30% (2011: 84%) differs from the statutory tax rate of 25% as follows:

Profit before taxation	19,143	4,048
Tax calculated at 25%	4,786	1,012
Non-taxable income	(187)	(5)
Green Fund levy	447	430
Business levy	894	213
Expenses not deductible for tax purposes	167	467
Deferred tax prior year (over) under provision	(312)	1,292
	<u>5,795</u>	<u>3,409</u>

NATIONAL FLOUR MILLS LIMITED

Notes to the Financial Statements

December 31, 2012

(Expressed in Trinidad and Tobago Dollars)

17. Taxation (continued)

~~The Company was audited by the Board of Inland Revenue for 2005 Corporation Tax. Based~~
on the assessment it was indicated that an adjustment to reduce the tax losses by \$16 million was required. The Company has filed an appeal against this assessment. According to the Company's tax computation, the Company has tax losses of approximately \$99 million available to be carry forward against future taxable profits.

18. Earnings per Share

Earnings per share is calculated by dividing the profit attributable to ordinary shareholders of \$19,143 thousand (2011: \$639 thousand) by the weighted average number of ordinary shares outstanding of 120,200 thousand (2011: 120,200 thousand).

Only basic earnings per share are presented as there are no potentially dilutive share options in issue.

19. Related Party Transactions

A number of transactions are entered into with related parties in the normal course of business. These transactions were carried out on commercial terms at market rates.

a) Balances and transaction with key management personnel during the year were as follows:

	2012	2011
	\$'000	\$'000
Key management compensation		
Short-term benefits	3,934	4,210
Post employment benefits	448	468
	<u>4,382</u>	<u>4,678</u>

b) National Flour Mills Limited (NFM) has an agreement with the Ministry of Food Production, Land and Marine Resources which allows for NFM to purchase all rice paddy from local rice farmers. The amount paid is reimbursable by the Ministry to NFM. This amount as well as the proceeds for the sale of the processed rice (which is reimbursable by NFM to the Ministry) is recorded in a Consolidated Account.

NATIONAL FLOUR MILLS LIMITED

Notes to the Financial Statements

December 31, 2012

(Expressed in Trinidad and Tobago Dollars)

19. Related Party Transactions (continued)

~~The following amounts are included in sundry receivables and accounts payable.~~

	Balance outstanding As at 31 December	
	2012	2011
	\$'000	\$'000
Amount due to NFM	4,332	21,206
Balance on Consolidated fund	<u>9,250</u>	<u>8,822</u>

20. Finance and Operating Lease Commitments

During 2010, the Company entered into a finance lease agreement to acquire an automatic silo scale with a lease term of four years. The Company has the option to purchase the equipment for a nominal amount at the conclusion of the lease agreement.

Finance leases liabilities are payable as follows:

	Future Minimum Lease Payments		Interest		Present Value Future Minimum Lease Payments	
	2012	2011	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Less than one year	800	800	72	72	728	728
Between one and five years	<u>598</u>	<u>1,398</u>	<u>51</u>	<u>123</u>	<u>547</u>	<u>1,275</u>
	<u>1,398</u>	<u>2,198</u>	<u>123</u>	<u>195</u>	<u>1,275</u>	<u>2,003</u>

Minimum lease payments under non-cancellable operating leases are as follows:

	2012	2011
	\$'000	\$'000
Less than one year	362	901
Between one and five years	<u>450</u>	<u>729</u>

NATIONAL FLOUR MILLS LIMITED

Notes to the Financial Statements

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21. Contingent Liabilities

~~As at December 31, 2012, the Company had contingent liabilities in respect of pending litigation.~~

Based on legal advice, the Directors believe that the Company will be successful in these actions. However, if defence against the action(s) is unsuccessful, the potential liability for damages and costs amounts to approximately \$NIL (2011: \$1 million).

22. Operating Segments

The Company has two reportable segments, as described below, which are the Company's strategic divisions. The strategic divisions offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic divisions, the Company's Chief Executive Officer (CEO) reviews internal management reports monthly. The following summary describes the operations in each of the Company's reportable segments:

- Foodstuff. Includes manufacturing and distributing flour, flour by products and rice.
- Animal feed. Includes manufacturing and distribution of feed products for animals

Other operations include the purchase and sale of imported dry goods, and grain.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment gross profit, as included in the internal management reports that are reviewed by the Company's CEO. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Financial information regarding assets and liabilities by operating segment is not reported on a regular basis to the Company's CEO.

	Food stuff		Animal Feeds		Other		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
External revenue	<u>312,423</u>	<u>314,462</u>	<u>103,068</u>	<u>95,066</u>	<u>30,772</u>	<u>31,417</u>	<u>446,263</u>	<u>440,945</u>
Depreciation and amortisation	<u>7,261</u>	<u>7,349</u>	<u>3,305</u>	<u>4,121</u>	<u>813</u>	<u>909</u>	<u>11,379</u>	<u>12,379</u>
Gross profit	<u>65,456</u>	<u>43,182</u>	<u>18,368</u>	<u>18,367</u>	<u>5,588</u>	<u>4,066</u>	<u>89,412</u>	<u>65,615</u>